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This document contains 23 pages and is the numbered original. Prepared by Rule (0-3(b)). The exhibit index appears at page 20.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
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APR 21

For quarter ended February 29, 1992

Commission file number 0-18821

Microfilmed by
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TSS Ltd.
(Exact name of registrant as specified in its charter)

Delaware	05-0439632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

L36

2250 Hospital Trust Tower, Providence, RI	02903
(Address of principal executive offices)	(Zip Code)

(401) 421-8990
Registrant's telephone number, including area code

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

On April 13, 1992 there were outstanding 22,028,069 shares of the registrant's Common Stock, $.00297 par value per share.

INDEX

TSS Ltd.
(A Development Stage Company)

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Balance sheets--February 29, 1992 and May 31, 1991	3-4
Statements of operations--Three months ended February 29, 1992 and February 28, 1991; Nine months ended February 29, 1992 and February 28, 1991; Period from inception (May 31, 1988) to February 29, 1992	5
Statements of cash flows--Nine months ended February 29, 1992 and February 28,1991; Period from inception (May 31, 1988) to February 28, 1992	6
Statements of shareholders' equity for the period from inception (May 31, 1988) to February 29,1992	7-8
Notes to financial statements	9-12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13-17
PART II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	18
SIGNATURES	19
EXHIBIT INDEX	20

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TSS Ltd.
(A Development Stage Company)

BALANCE SHEETS (UNAUDITED)

	February 29 1992	May 31 1991(1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,518,038	$109,000
Accounts receivable	378,984	12,599
Accounts receivable from related party	36,477	11,448
Coupon paper	14,591	9,915
Deposits	16,228	15,139
Prepaid and other	79,436	17,883
	3,043,754	175,984
PREPAID EXPENSE	71,944	
PROPERTY AND EQUIPMENT		
Coupon terminals and related network equipment	2,161,663	1,584,115
Furniture and office equipment	208,654	193,330
	2,370,317	1,777,445
Less accumulated depreciation	762,307	494,653
	1,608,010	1,282,792
	4,723,708	1,458,776

(1) The balance sheet at May 31, 1991 has been derived from the audited financial statements at that date.

See notes to financial statements.

TSS Ltd.
(A Development Stage Company)

	February 29 1992	May 31 1991(1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	385,604	$429,019
Accrued expenses	42,497	$118,952
Convertible subordinated promissory notes		$1,355,000
Amounts payable to related party		130,215
Unearned revenue	74,520	
	502,621	2,033,186
Redeemable, 9% cumulative Series B preferred stock, par value $.0297, redeemable at $9.00 per share, authorized 201,667 shares, 23,333 shares issued and outstanding at May 31, 1991 and no shares at February 29, 1992		210,000
Common shareholders' equity (deficit):		
Common Stock, par value $.00297, authorized 40,000,000 shares, at February 29,1992 (20,000,000 at May 31, 1991), issued and outstanding 8,708,178 and 22,028,069 shares at May 31, 1991 and February 29, 1992, respectively	65,423	28,338
Additional paid-in capital	17,550,065	10,370,785
Deficit accumulated during development stage	(13,394,401)	(11,183,533)
	4,221,087	(784,410)
	4,723,708	$1,458,776

(1) The balance sheet at May 31, 1991 has been derived from the audited financial statements at that date.

See notes to financial statements.

TSS LTD.
(A Development Stage Company)

STATEMENTS OF OPERATIONS (UNAUDITED)

	Period from inception (May 31,1988) to February 29, 1992	Three Months Ended February 29, 1992	Three Months Ended February 28, 1991	Nine Months Ended February 29, 1992	Nine Months Ended February 28, 1991
REVENUES					
Coupon distribution	$1,711,005	$471,742	$121,231	$1,045,858	$299,066
Equipment sales	46,315				7,085
Interest and other	250,798	12,912	778	23,502	29,307
	2,008,118	484,654	122,009	1,069,360	335,458
COSTS AND EXPENSES					
Cost of coupon distribution	3,897,971	396,682	384,392	874,010	1,150,767
Cost of equipment sales	41,961				1,061
General and administrative	9,491,062	749,660	476,421	1,822,326	1,830,700
Research and development	1,299,709	55,071	79,246	207,924	272,810
Interest	392,898	40,153	20,198	147,542	21,615
	15,123,601	1,241,566	960,257	3,051,802	3,276,953
Net loss before extraordinary expense	($13,115,483)	($756,912)	($838,248)	($1,982,442)	($2,941,495)
Extraordinary item--elimination of debt issue costs	(228,426)	(228,426)		(228,426)	
NET LOSS	($13,343,909)	($985,338)	($838,248)	($2,210,868)	($2,941,495)
Net loss per share		($.05)	($.09)	($.14)	($.34)
Weighted average shares outstanding		18,082,958	8,853,452	15,790,782	8,775,945

See notes to financial statements.

TSS LTD.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS (UNAUDITED)

	Period from inception (May 31,1988) to February 29, 1992	Nine Months Ended February 29, 1992	Nine Months Ended February 28, 1991
Operations:			
Net loss	($13,343,909)	($2,210,868)	($2,941,495)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	901,318	394,429	253,909
Write off of debt issue costs	228,426	228,426	
Unrecoverable installation costs	106,803		
Interest and employee bonus converted to common stock	107,600	107,600	
Changes in operating assets and liabilities:			
Accounts receivable	(378,984)	(366,385)	(11,109)
Accounts receivable from related parties	(36,477)	(25,029)	
Coupon paper	(14,591)	(4,676)	2,808
Prepaid expense	(74,000)	(74,000)	19,213
Deposits and other	(91,498)	(62,642)	6,245
Accounts payable and accrued expenses	529,945	(150,085)	(107,093)
Unearned revenue	74,520	74,520	4,937
Net cashed used in operating activities	(11,990,847)	(2,088,710)	(2,772,585)
Investing activities:			
Purchases of property and equipment	(2,426,536)	(592,872)	(228,734)
Net cashed used in investing activities	(2,426,536)	(592,872)	(228,734)
Financing activities:			
Proceeds from short-term borrowings from an officer/shareholder	124,385		
Net proceeds from issuance of convertible subordinated promissory notes	6,266,855	2,501,855	1,000,000
Repayment of convertible, subordinated promissory notes	(3,607,910)	(2,350,625)	
Repayment of short-term borrowings from an officer/shareholder	(115,185)		
Repayment of note payable to an officer/shareholder	(220,216)		
Proceeds from short-term bank notes	1,014,000		
Repayment of short-term bank notes	(510,000)		
Proceeds from issuance of Common Stock	11,924,805	4,939,390	
Proceeds from issuance of Preferred Stock	2,058,687		
Net cash provided by financing activities	16,935,421	5,090,620	1,000,000
Net increase(decrease) in cash and cash equivalents	2,518,038	2,409,038	(1,941,319)
Cash and cash equivalents at beginning of period	0	109,000	2,109,664
Cash and cash equivalents at end of period	$2,518,038	$2,518,038	$168,345

TSS LTD.
(A Development Stage Enterprise)

STATEMENT OF COMMON SHAREHOLDERS' EQUITY (DEFICIT) AND REDEEMABLE, 9% CUMULATIVE PREFERRED STOCK (UNAUDITED)

	Common Stock			Accumulated During the Development Stage	Preferred Stock	
	Number of Shares	Par Value	Additional Paid-in Capital		Number of Shares	Amount
Period from inception (May 31, 1988) to May 31, 1989:						
Common stock issued at $.02376 per share in July 1988	878,589	$2,609	$18,266			
Common stock issued at $.0297 per share in January 1989	33,670	100	900			
Series A preferred stock issued at $.8515 per share: January and March 1989					2,177,138	$1,853,833
June 1989					230,376	196,165
Series A preferred stock issued for assets of The Savings Spot, Ltd., in January 1989					390,639	75,675
Preferred stock issuance costs						(18,156)
Accretion				($22,993)		22,993
Net loss				(2,110,501)		
Balances at May 31, 1989	912,259	2,709	19,166	(2,133,494)	2,798,153	2,130,510
Accretion				(27,499)		27,499
Conversion of Series A preferred stock in November 1989	2,798,153	8,311	2,149,698		(2,798,153)	(2,158,009)
Conversion of note payable to a shareholder in November 1989	141,892	421	283,363			
Conversion of convertible subordinated promissory notes in November 1989	543,374	1,614	741,101			
Common stock issued in an initial public offering at $1.80 per share (net) in November 1989	3,750,000	11,138	6,738,963			
Offering expenses			(789,861)			
Common stock issued in an initial public offering at $1.80 per share (net) pursuant to exercise of over-allotment option in December 1989	562,500	1,670	1,010,830			
Net loss				(4,985,429)		
Balances at May 31, 1990	8,708,178	$25,863	$10,153,260	($7,146,422)	0	$0

See notes to financial statements

	Common Stock			Deficit Accumulated During the Development Stage	Preferred Stock	
	Number of Shares	Par Value	Additional Paid-in Capital		Number of Shares	Amount
Balances at May 31, 1990	8,708,178	$25,863	$10,153,260	($7,146,422)	0	$0
Conversion of convertible subordinated promissory notes in April 1991					23,333	210,000
Conversion of preferred stock in April 1991	699,960	2,079	207,921		(23,333)	(210,000)
Conversion of convertible subordinated promissory notes in May 1991					23,333	210,000
Conversion of convertible subordinated promissory notes in May 1991	133,332	396	9,604			
Net loss				(4,037,111)		
Balances at May 31, 1991	9,541,470	28,338	10,370,785	(11,183,533)	23,333	210,000
Conversion of preferred stock in June 1991	699,990	2,079	207,921		(23,333)	(210,000)
Conversion of convertible subordinated promissory notes in June 1991	4,602,480	13,669	1,367,081			
Conversion of related party payable into common stock in August 1991	133,333	396	99,604			
Conversion of accrued bonus to related party	33,333	99	24,901			
Conversion of convertible subordinated promissory notes in August 1991	427,000	1,268	318,982			
Conversion of convertible subordinated promissory notes in October 1991	66,665	198	4,802		0	0
Common stock issued in connection with public offering in January 1992	4,500,000	13,365	4,978,125			
Other issuance of common stock	21,333	64	1,537			
Conversion of convertible subordinated promissory notes in January 1992	1,562,500	4,641	229,734			
Offering Expenses			(538,812)			
Over-allotment in February 1992	439,965	1,307	485,405			
Net loss				($2,210,868)		
Balances at February 29, 1992	22,028,069	$65,423	$17,550,065	($13,394,401)	0	$0

TSS Ltd.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended February 29, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 1992. For further information, reference is made to the financial statements contained in the Company's Report on Form 10-K filed for the fiscal year ended May 31, 1991, as amended.

NOTE B--GOING CONCERN CONSIDERATION

TSS Ltd. (A Development Stage Enterprise) was incorporated on May 31, 1988 and is involved in the development of systems and programs for dispensing discount coupons and other promotional materials in retail stores. The ultimate success of the Company is dependent upon the development and marketing of its products and services and its ability to secure adequate financing. The Company has incurred significant recurring operating losses and, at May 31, 1991, had a deficiency in both its working capital and total shareholders' equity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and, as such, do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the possible inability of TSS Ltd. to continue as a going concern.

Management believes that its new business strategy, instituted at the end of FY 1991, of seeking to establish programs with select retail chains where the retailer, and not the Company, is primarily responsible for selling program participations to product manufacturers, is a key prerequisite for achieving the Company's financial goals. There can be no assurance, however, that the Company will obtain and retain sufficient contracts with retailers under this strategy at all or on a timely basis.

In January and February, 1992, the Company completed a public offering of its securities (the "Secondary Offering"), on a firm underwritten basis, of 3,239,310 units (including the over-allotment option), each unit consisting of one and one-half shares of the Company's $.00297 par value per share common stock ("Common Stock") and one redeemable warrant to purchase a share of Common Stock at an exercise price of $2.00 per share. The underwriters purchased the units from the Company at a price of $1.875 per unit, less discounts, commissions and certain expenses.

Management believes, although there can be no assurance, that the net proceeds from the Secondary Offering and cash generated from the Company's operations will be sufficient to sustain the Company's business at current levels and enable it to pursue its new business strategies in the near future. However, the long term viability of the Company depends upon significant expansion of operations on a profitable basis, and the retailer contracts and terminal financing which this will require.

NOTE C–DEFERRED FINANCING COSTS

The Company capitalized debt issue costs of $331,825 in connection with the issuance of its Series D Convertible Subordinated Promissory Notes ("Series D Notes"), including $325,000 which was paid to the placement agent, Commonwealth Associates. These costs were being amortized over the one year term of the notes, and accumulated amortization amounted to $124,719 as of the date of the Secondary Offering , January 21, 1992. Pursuant to the terms of the Series D Notes, upon the completion of the Secondary Offering (being a securities offering with gross proceeds of $4,000,000 or more to the Company), the maturity date of the notes was accelerated to seven days after the closing of such offering. Upon the repayment of the notes on January 24, 1992, $228,426 was charged to operations as an extraordinary item, representing the unamortized portion of the debt issue costs and additional legal fees of $21,320 relating to the notes.

NOTE D–CONVERTIBLE SUBORDINATED PROMISSORY NOTES

In June 1991 (i) the Company privately sold and issued $50,000 of its Series B 10% convertible subordinated promissory notes ("Series B Notes"), of which $40,000 was purchased by a director, and (ii) the $1,315,000 principal amount of Series B Notes then outstanding (including said $50,000 sold and issued in June 1991 and the unconverted portion of the $1,665,000 of said notes sold and issued by the Company from December 1990 through May 1991), plus 180 days interest thereon, was voluntarily converted into 4,602,480 shares of Common Stock at $.30 per share.

The Series B Notes bore interest at the rate of 10% per annum, were subordinated with respect to repayment to such bank and similar indebtedness as the Company might incur for money borrowed and were repayable with accrued interest on the earlier of 180 days after issuance or thirty days after the closing of a public or private offering of the Company's securities grossing at least $2,000,000 to the Company. At the option of the holder, each note was convertible in full, but not less than in full, into the $.0297 par value per share Series B preferred stock of the Company ("Series B Preferred Stock") at a price of $9.00 per share (see Note F). In the alternative, if repaid by its maturity date, at the holder's option up to 10% of the original principal amount of each note was convertible into Common Stock at $.10 per share. If not fully converted or repaid by its maturity date, each note would automatically fully convert into Series B Preferred Stock at $9.00 per share. In addition, the holders of Series B Notes were granted certain rights of first refusal to purchase, pro rata, certain kinds of securities as may be offered in the future by the Company as well as certain demand and "piggyback" registration rights with respect to such Common Stock as might be issued upon conversion of any Series B Preferred Stock issued upon conversion of these notes.

In June 1991, the $1,315,000 principal amount of series B Notes then remaining outstanding, including $1,265,000 thereof issued prior to June 1991, plus accrued interest thereon

was voluntarily converted, by agreement with the Company, directly into a total of 4,602,480 shares of Common Stock at a conversion price of $.30 per share.

In July and August 1991, the Company privately sold and issued $305,000 of its Series C 10% convertible subordinated promissory notes ("Series C Notes"), of which $125,000 and $25,000 were sold to two venture capital funds controlled by a director. The Series C Notes were substantially the same as the Series B Notes except that (i) at the option of the holder, all (but not less than all) of the principal of and interest under each note was convertible into the Company's $.0297 par value per share Series C preferred stock ("Series C Preferred Stock") at $9.00 per share (each share of which, in turn, was convertible into 12 shares of Common Stock at an effective price of $.75) or, in the alternative, up to 7.5% of the original principal amount of each note was convertible directly into Common Stock at $.15 per share, and (ii) at the option of the Company, the principal of and 180 days interest under each note was convertible directly into Common Stock at $.75. During August 1991, all of the Series C Notes, including 180 days interest, were converted by the Company into a total of 427,000 shares of Common Stock at a conversion price of $.75 per share.

In September 1991, the Company privately sold and issued $2,500,000 of its Series D 10% convertible subordinated promissory notes ("Series D Notes"). The maturity date of the Series D Notes was the earlier of (i) the first anniversary of the date of issuance or (ii) seven days after the closing of a private or public offering of the Company's securities grossing at least $4,000,000 to the Company. Pursuant to the provisions of these notes, three days after the closing of the Company's Secondary Offering $234,375 principal amount was converted at $.15 per share into 1,562,500 shares of the Company's Common Stock and $2,265,625 principal amount plus $91,681 of accrued interest was repaid. The holders of the Common Stock issued under the terms of these notes enjoy certain demand and "piggy back" registration rights.

In October 1991, the Company fulfilled its remaining obligations to the former holders of the Company's 10% Convertible Subordinated Promissory Notes (issued in November 1990) by issuing to them a total of 66,665 additional shares of Common Stock and cash payments totalling $85,000 plus interest. The holders of the Common Stock issued under the terms of these notes have certain demand and "piggyback" registration rights.

NOTE E--CERTAIN DEBT CONVERSIONS

On August 30, 1991, a director converted $[illegible] of amounts due for professional services rendered into 133,333 shares of Common Stock at $.75 per share. In addition, an officer of the Company converted his incentive bonus payment of $25,000 into 33,333 shares of Common Stock at $.75 per share. On January 27, 1992 a former officer of the Company converted 10% of his incentive bonus payment of $16,000 into 21,333 shares of Common Stock at $.75 per share.

NOTE F--PREFERRED STOCK

At May 31, 1991, the Company had outstanding [illegible] shares of its Series B Preferred Stock. These shares were issued in May 1991 upon the automatic conversion at maturity of a $200,000 Series B Note and, in June 1991, were voluntarily converted into 699,990 shares of Common Stock (see Note D).

The following rights and restrictions applied to the Series B Preferred Stock while they were outstanding: (i) optional conversion into 30 shares of Common Stock per share of Series B Preferred Stock, (ii) preference in liquidation over Common Stock, (iii) dividends accruing at the rate of 9% per annum but restricted as to payment and forfeited upon exercise of

the aforesaid conversion right, (iv) optional redemption including accrued dividends on the 5th, 6th and 7th anniversary dates of first issuance, (v) certain rights to approve corporate actions and (vi) the right to cast one vote, together with the Common Stock as a single class, on issues presented to shareholders for each share of Common Stock into which such Series B Preferred Stock may be converted.

NOTE G–SUPPLEMENTAL LOSS PER SHARE

Supplemental loss per share is required to show the effects of actual conversions of the Company's convertible promissory notes during the three months and nine months ended February 29, 1992 as if such conversions had occurred at the beginning of the fiscal year or the issue date, if later, even though such effect is antidilutive. Assuming these notes were converted at the beginning of fiscal 1991 or the issue date of such notes, if later, supplemental loss per share would have been $.05 and $.12 for the three months and nine months ended February 29, 1992, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the financial statements, including the notes thereto, of the Company contained elsewhere in this Report.

Background

The Company's commercial operations did not commence until late May 1989. Comparisons with information respecting the fiscal year ended May 31, 1991 are of limited benefit in drawing conclusions about future operating results due to the Company's adoption of a new business strategy at the end of fiscal 1991.

Through the end of fiscal 1991, the Company deployed up to approximately 250 coupon-dispensing terminals in supermarkets in the southeastern United States and attempted to enlist paying participation by packaged goods manufacturers in its *The Savings Spot*® in-store coupon distribution program. However, while the program typically delivered strong product movement for over 50 major packaged goods manufacturers in the southeastern region, the national brand managers to whom the programs were being marketed generally proved unwilling to participate on an ongoing, full-paying basis. Based upon discussions with these managers, the Company believes that this reluctance to participate was due, in substantial part, to the inability of the Company's relatively small, regional program to significantly affect product movement and market share on a nationwide basis.

Disappointing revenues from manufacturers, and the adverse impact of fees which the Company had agreed to pay retailers for permitting the terminals in their stores, resulted in continuing, substantial negative cash flow from operations. In addition, limited and short-term (typically, one four-week promotional cycle at a time) manufacturer participation in the program adversely affected the Company's ability to obtain lease or other conventional financing which it needed in order to build and deploy a sufficient number of terminals to impact national sales and market shares for promoted products.

In response to these circumstances, the Company shut down its southeastern program to focus its efforts and resources on more promising market segments and program configurations. During the current fiscal year the Company has been implementing new business strategies targeted to additional market segments beyond retail grocery (such as mass merchandisers, chain drug, and specialty retail chains) and program configurations which feature revenue derived directly from retailers rather than manufacturers.

Under the Company's current business strategy, typically the retailer will be primarily responsible for selling program participations in *The Saving Spot* to manufacturers. The Company, in turn, charges the retailer a fee per terminal per program cycle for providing and maintaining the terminals and, in certain circumstances, for assistance in selling a portion of the program participations to manufacturers at the national brand level. If so desired by a retailer, the Company also would consider selling the terminal to the retailer and reducing its on-going service fee accordingly.

Based upon the results of 24-store and 9-store pilot programs commenced in January and April 1991 with Ralphs Grocery Company ("Ralphs") and Kmart Corporation ("Kmart"), respectively, Ralphs contracted for *The Savings Spot* program in all 157 of its supermarkets in southern California in September 1991 and Kmart contracted for the program in 113 of its stores in Michigan and Ohio in October and November 1991. In September 1991 the Company also

commenced a pilot program at a reduced rate in ten Giant Eagle supermarkets in Pennsylvania.

To assist Ralphs in positioning the program to manufacturers at the national level and to help ensure the program's successful launch, the Company agreed to take primary responsibility for selling a portion of the initial program participations through the Company's own sales organization while Ralphs sold participations to the manufacturers' local representatives. Coordination issues delayed several program cycles and the Company encountered difficulties in delivering its sales goals. While program participations were eventually sold out, delays in cycle commencement resulted in the Company booking less revenue than originally anticipated.

Ralphs continues to require the Company's direct support in manufacturer solicitation and the program continues to experience delays in initiating new cycles, thus adversely effecting Company revenues.

The program at Kmart has yet to execute new cycles on a four-week basis. The typical cycle has extended to approximately five weeks, which has not enabled the Company to optimize its revenue opportunities. However, the cycle extension issue at Kmart is not related to sales efforts by the Company diredted at manufacturer priticipations, since this responsibility us not an element in the Company's relation with Kmart.

Although it is the Company's understanding that the systems and procedures at Kmart are now better equipped to handle the ongoing sale of the program to manufacturers, the Company believes that, from time to time, delays will be inevitable in closing sales cycles on a four week basis, particularly in the launch of each chain's program.

Additionally, the Company believes it needs to restructure both existing and future retailer relationships to diminish the level of Company direct selling efforts to manufacturers, particularly mandatory manufacturer participation sales quotas which directly impact the Company's reveues.

As of April 13, 1992, the Company's terminals were installed in 155 Ralphs supermarkets, 116 Kmart stores and, on a continuing test basis, 10 Giant Eagle supermarkets.

The Company continues to aggressively pursue selected retail relationships across multiple market segments in accordance with its new business strategies and is optimistic, although there can be no assurances, that these strategies and efforts will result in increased retail distribution.

Results of Operations

Three -Month Period Ended February 29, 1992 Compared with February 28, 1991. Coupon distribution revenues for the three months ended February 29, 1992 were $471,742, an increase of $350,511, or 189%, compared with the three months ended February 28, 1991. The increase was due primarily to the commencement in the second quarter of fiscal 1992, after an initial pilot testing stage, of coupon distribution operations under the Company's new business strategy which, to date, has yielded substantially greater revenues per installed terminal than were achieved in fiscal 1991 under the Company's now discontinued southeastern program. Post-pilot program operations under the new business strategy commenced in 157 Ralphs supermarkets in September 1991 and in 113 Kmart stores in two stages in October and November 1991.

The Company had interest and other income of $12,912 during the third quarter of fiscal 1992, an increase of $12,134 over the corresponding period in fiscal 1991, due primarily to interest earned on the net proceeds from the Company's September 1991 offering of its Series D 10% convertible subordinated promissory notes ("Series D Notes") and January 1992 public offering of units consisting of the Company's common stock and redeemable common stock warrants (the "Secondary Offering").

Compared with the third quarter of fiscal 1991, costs and expenses during the third quarter of fiscal 1992 prior to the extraordinary expense item, expressed as a percentage of revenue, decreased sharply due, to a large extent, to improvements in revenue per installed terminal achieved since the Company implemented its new strategy.

Cost of coupon distribution, as a percentage of coupon distribution revenues, substantially decreased during the three months ended February 29, 1992, as compared with the corresponding period in the prior year, due to the larger number of installed terminals during the fiscal 1991 period.

Third quarter general and administrative expenses increased in absolute dollars by $273,239 compared to the similar period in fiscal 1991; however, stated as a percentage of revenue, these expenses decreased by one-half vs. the same period in 1991. Since a significant portion of the absolute dollar increase was due to critical spending that was deferred pending additional financing, the Company does not anticipate increases of similar magnitude in these expenses in subsequent quarters.

Approximately $150,000 of the increase in general and administrative expenses was due to a substantial increase in expenses from the similar period in fiscal 1991 relating to the company's sales and marketing programs and personnel (i) to secure new retailer chains, (ii) to provide assistance in securing manufacturer participation at Ralphs and (iii) due to sales compensation on revenues from Kmart and Ralphs. Approximately $55,000 of the increase in general and administrative expenses was due to period amortization of financing fees relating to the Company's Series D Notes (see below). Approximately $30,000 was due to a reallocation of expenses from research and development (see below).

Research and development expenses decreased by approximately $24,000 during the third quarter of fiscal 1992 compared with the similar period in fiscal 1991 due to a reallocation of personnel and related expenses to the central operations group in general and administrative expenses.

The Company incurred $40,153 of interest expense during the third quarter of fiscal 1992 primarily as a consequence of the Company's Series D Notes.

Upon completion of the Company's Secondary Offering, the Company repaid all principal and interest outstanding with respect to the Series D Notes. In connection with the repayment of the notes, the Company expensed the $228,426 unamortized financing fees associated with the offering of the notes.

Nine-Month Period Ended February 29, 1992 Compared with 1991. Coupon distribution revenues for the nine months ended February 29, 1992 were $1,045,958, an increase of $746,792, or 150%, compared with the nine months ended February 28, 1991. The increase was due primarily to the commencement in the second quarter of fiscal 1992, after an initial pilot testing stage, of coupon distribution operation under the Company's new business strategy which, as stated above, has yielded substantially greater revenues per installed terminal than were achieved in fiscal 1991 under the Company's now discontinued southeastern program.

Compared with the year-ago period, costs and expenses during the first nine months of fiscal 1992 prior to any extraordinary expenses, expressed as a percentage of revenue, decreased

sharply due, to a large extent, to improvements in revenue per installed terminal achieved since the Company implemented its new strategy.

Cost of coupon distribution, as a percentage of coupon distribution revenues, decreased substantially during the nine months ended February 29, 1992, as compared with the corresponding period in the prior year, reflecting the fact that, as stated above, under its new business strategy the Company does not pay fees to retailers, and there were fewer installed terminals during the fiscal 1992 period, particularly during the first quarter of fiscal 1992 when operations were limited to pilot programs with Kmart and Ralphs.

General and administrative expenses were relatively constant for the first nine months of fiscal 1992 as compared with the same period in fiscal 1991. However, as noted in the discussion above for the three months ended February 29, 1992, a portion of these expenses was due to critical spending that was deferred prior to obtaining financing and is not expected to recur.

The $64,886 reduction in research and development expenses during the first nine months of fiscal 1992, compared with the first nine months of fiscal 1991, reflects a reduction of research and development efforts and reallocation of personnel and related expenses to the central operations group in general and administrative expenses.

The Company incurred $147,542 of interest expense during the first nine months of fiscal 1992 primarily as a consequence of the short-term convertible subordinated debt incurred during that period.

Changes in Financial Position, Liquidity and Capital Resources

On January 9, 1992, a registration statement on Form S-1 was declared effective by the Securities and Exchange Commission for the Secondary Offering. Units, consisting of one and one-half shares of the Company's common stock and one redeemable warrant to purchase a share of common stock at an exercise price of $2.00 per share, were sold in this offering at $1.875 per unit on a firm underwritten basis. The sale of 3,000,000 units was completed in January 1992, and the overallotment option was exercised with respect to an additional 293,310 units in February 1992, for total gross proceeds to the Company of $6,174,956 before underwriter discount and expenses.

As of February 29, 1992, the Company's cash and cash equivalents had increased to $2,518,038 from $109,000 on May 31,1991, principally due to approximately $4,939,390 of proceeds from the Company's Secondary Offering net of discounts and commissions, partially offset by repayment of the Series D Notes, other expenses relating to the Secondary Offering and continuing negative cash flow from operations.

Accounts receivable increased to $378,984 as of February 29,1992, compared with $12,500 as of May 31, 1991, as a result of contracts with retailers under the Company's new business strategy.

Coupon terminals and related equipment increased by $577,548 from May 31, 1991 to February 29, 1992, reflecting the addition of improved printers, paper holders and other equipment to the Company's existing terminals.

Deferred costs of $71,944 as of February 29, 1992 reflects the unamortized portion of a financial consulting agreement between the Company and the underwriter of its Secondary Offering. There was no comparable item as of May 31, 1991.

Accounts payable as of February 29, 1992 was $385,604, down $43,415 from the amount as of May 31,1991. The overall level of accounts payable, excepting $108,604 of unpaid expenses relating to the Company's Secondary Offering and its Series D Notes, is considered normal for the Company's level of business activity.

Unearned revenue of $74,520 as of February 29, 1992 represents amounts billed to retailers for the portion of each program cycle remaining to be performed at February 29, 1992.

The Company operates in a dynamic marketplace and competitive environment, and management believes that its recent selling efforts have been adversely impacted by uncertainty in the marketplace over the trending of advertising and promotional spending strategies and practices of both retailers and manufacturers. Management believes, although there can be no assurance, that as the direction of these strategies and practices becomes clearer, the Company's sales efforts can be more effective.

The Company's historical losses and working capital deficiencies raise substantial doubts about the Company's ability to continue as a going concern. See Note B to the Company's financial statements included herein. Management believes, although there can be no assurance, that the net proceeds from the Secondary Offering and cash generated from the Company's operations will be suffcient to sustain the Company's business at current levels and enable it to pursue its new business strategies in the near term; however, the long term viability of the Company depends upon the Company significantly expanding its operations on a profitable basis and obtaining financing on commercially acceptable terms.

The Company is required to implement, no later than the fiscal year ending May 31,1993, the new method of accounting for income taxes set forth in Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", issued by the Financial Accounting Standards Board on December 30, 1987. Although the Company has not completed the analysis to estimate the impact of the new Statement, the adoption of FAS No. 96 is not expected to have an adverse impact on the Company's financial position.

Effect of Inflation and Changing Prices

The Company's limited operating history provides no experience with the impact of inflation on the conduct of its business. At present the Company does not have long-term commitments for the purchase of parts and subassemblies for its coupon terminals or long-term contracts for the use of its terminals, thereby subjecting the Company's costs and revenues to potential fluctuation due to general inflation or changes in the specific competitive environments in which the Company operates. Management cannot predict its general ability to pass along potential future operating cost increases to its customers.

PART II. OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K

(i) Exhibit No. 11--Computation of Earnings Per Share

(b) The Company did not file any reports on Form 8-K during the quarter to which this report relates.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TSS Ltd.

Date: April 13, 1992

By:

Michael A. Clark, President, Chief Executive Officer and Director (Principal Executive Officer and Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	Page No. of Exhibit in Sequential Numbering System
11	Computation of earnings per share	21-23

EXHIBIT 11-- COMPUTATION OF EARNINGS PER SHARE

TSS Ltd.
(A Development Stage Enterprise)

	Three Months Ended	
	February 29, 1992	February 28, 1991
PRIMARY		
Weighted average common shares outstanding	18,082,958	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (3)		145,274
Total Weighted Average shares	18,082,958	8,853,452
Net loss	($985,338)	($838,248)
Net Loss Per Share	(.$05)	(.$09)
FULLY DILUTED (1)		
Weighted average common shares outstanding	18,082,959	8,708,178
Net effect of stock options and warrants (2) (3)		145,274
Net effect of assumed conversion of convertible subordinated promissory notes		3,111,667
Total Weighted Average shares	18,082,959	11,965,119
Net loss	($985,338)	($838,248)
Adjustment to net loss: Interest effect of assumed conversion of notes		20,198
	(985,338)	(818,050)
Net Loss Per Share	($.05)	($.07)

EXHIBIT 11-- COMPUTATION OF EARNINGS PER SHARE (Continued)

TSS Ltd.
(A Development Stage Enterprise)

	Nine Months Ended	
	February 29, 1992	February 28, 1991
PRIMARY		
Weighted average common shares outstanding	15,790,782	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (4)		67,767
Net effect of assumed conversion of convertible subordinated promissory notes		
Net effect of assumed conversion of note payable to an officer and shareholder		
Total Weighted Average shares	15,790,782	8,775,945
Net loss	($2,210,868)	($2,941,495)
	(2,210,868)	(2,941,495)
Net Loss Per Share	($.14)	($.34)
FULLY DILUTED (1)		
Weighted average common shares outstanding	15,790,782	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (4)		67,767
Net effect of assumed conversion of convertible subordinated promissory notes		1,729,121
Net effect of assumed conversion of note payable to an officer and shareholder		
Total Weighted Average shares	15,790,782	10,505,066
Net loss	($2,210,868)	($2,941,495)
Adjustment to net loss: Interest effect of assumed conversion of notes		21,615
	(2,210,868)	(2,919,880)
Net Loss Per Share	($.14)	($.28)

(1) Fully diluted earnings per share were not presented on the face of the Statement of Operations because the resulting amounts were anti-dilutive.

(2) Based on the treasury stock method using the average market price for the periods ended February 28, 1991

(3) Excludes approximately 105,000 of anti-dilutive options and warrants for the three months ended February 28, 1991.

(4) Excludes approximately 48,000 of anti-dilutive options and warrants for the nine months ended February 28, 1991.